SOUTHERN AFRICA GLOBAL COMPETITIVENESS HUB

Increasing Trade Through Exports: Successful Market Linkages and Best Practices from the Southern Africa Trade Hub

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TABLE OF CONTENTS

I. Executive Summary 1
II. Market Linkage Results 3
III. Market Linkage Methodology 10
IV. Transformative Effects of a Market Linkage Approach 24
V. Opportunities and Recommendations 28

Acronyms

AFTT	Africa Fast Track Trade Project
AGCI	African Growth and Competitiveness Initiative
AGOA	African Growth and Opportunity Act
B2B	Business-to-Business
EPA	European Partnership Agreements
FDA	Food and Drug Administration
ICFF	International Contemporary Furniture Fair
MATEP	Market Access, Trade and Enabling Policies Program
NASFT	National Association for the Specialty Food Trade
SAIBL	South African International Business Linkages
SWEEP	Swaziland Enterprise and Entrepreneurship Project
TCP	Trade Competitiveness Project

I. Executive Summary

Since October 2004, the Southern Africa Trade Hub's Trade Competitiveness Project (TCP) has been working to promote exports from key sectors of the Southern African economy to global markets. The project has emphasized private sector and market-led approaches to achieving export competitiveness. Through direct consulting services to export ready and regionally or domestically competitive firms, the Southern Africa Trade Hub has supported the growth of sustainable linkages with global buyers and investors, positioning Southern African manufacturers to capitalize on global market opportunities. This analytical report surveys the progress made by the project toward increasing exports from the sectors on which it focuses.

The first section of the report, entitled *Market Linkage Results*, discusses summary outcomes from the project's work with regional apparel, specialty food and other light manufacturing industries. Having generated over $47 million in closed and pending deals through the end of 2008 with an $8 million program and two full-time staff members based in Gaborone, the Hub is putting African exporters on the map. These outcomes signal a positive response by international buyers to Southern African products and a platform for achieving more robust export-driven growth in the region. The Trade Hub's work has helped to prepare over 500 companies for export to the U.S. market, with 40 of those having attended leading trade shows in their industries through 2007.

Section III, entitled *Market Linkage Methodology*, walks through the core elements of the Trade Competitiveness Project's approach to stimulating exports through market linkages. The centerpiece of the Trade Hub's approach is effective participation in business networking events, including trade shows, which are open to most global industry players, and closed business-to-business events, which are organized by the Trade Hub and only open to regional manufacturers and international buyers or investors. These events have generated linkages between Southern Africa and global markets that are the drivers of market integration and export growth. The Trade Hub complements business networking support with direct assistance to regional firms in meeting global market requirements, as well as assistance to international buyers and investors seeking to identify qualified suppliers in Southern Africa. Each element is discussed in the context of how it contributes to the summary outcomes reviewed in section II.

Section IV analyzes in greater detail the *Transformative Effects of a Market Linkage Approach*. The discussion focuses on why market linkages represent more than just the sum, in dollars, of the deals that they generate. Recognizing that the long-term growth of Southern Africa's economy depends to a great extent on its ability to capture an increasing share of the global market in key sectors, the Trade Hub has employed a market linkage approach to stimulate competitiveness. The response of Southern African firms that interact with the

global marketplace through business networking has been to focus on increasing productivity, investing in new capacity, and developing new or modified products that can compete with those offered by other emerging markets. These transformations within firms and within industries are what will continue to drive Southern Africa's integration into global markets long after donor-funded projects have closed.

The final section, entitled *Opportunities*, explores how the momentum that has been generated by the first 3 years of the Trade Competitiveness Project can be built upon. While much of the current momentum is sustainable, with the relationships between lead Southern African manufacturers and global buyers in the apparel and specialty foods sectors well established, there are numerous opportunities to deepen and broaden the push toward market integration.

Southern Africa can continue on the path of export-led growth if it is able to capture new markets in sectors where it is already strong and grow its competitiveness in sectors where it is emerging. For example, new markets in Europe, which is reforming its system of trade preferences in the region, and new sectors such natural products present tangible opportunities for increased export growth. As this report describes, the Southern Africa Trade Hub's Trade Competitiveness Project can accelerate the process of capitalizing on those opportunities.

II. Market Linkage Results

Background

The Trade Competitiveness Project (TCP) is responsible for implementing the African Growth and Competitiveness Initiative's (AGCI) second pillar: "Improving the Market Knowledge, Skills and Abilities for the Private Sector Enterprises to Trade". The TCP has used a sector and market-driven approach to achieve this objective.

AGCI supports the underlying objective of private sector led growth to eradicate poverty. To achieve growth rates necessary to eradicate poverty, Southern Africa must trade competitively in global markets. Although domestic markets within Southern Africa may be able to absorb goods produced locally, accelerated economic growth will require access to foreign markets with different consumer preferences, higher quality and packaging standards, greater purchasing power and varied seasonality of products.

Related initiatives such as the African Growth Opportunity Act (AGOA), which offers substantially favorable access to the U.S. market, have created an incentive for African states to strengthen the business environment for export industries and increase their international competitiveness. Taking advantage of the opportunities presented by AGOA preferences and capitalizing on market demand, the Southern Africa Global Competitiveness Hub has focused AGCI resources on facilitating trade between Africa and developed markets in the United States and Europe.

As one of its primary tasks, the Trade Hub provides market linkage support that:

1) Raises the credibility and positioning of Southern Africa as a sourcing location in the eyes of a wide spectrum of buyers;

2) Provides a venue for the region's producers and manufacturers establish market contacts and engage influential buyers and investors in key markets, particularly in the U.S. and South Africa; and

3) Helps "export ready" companies translate market contacts into deals.

As a result, the Trade Hub has become a recognized resource for both buyers and sellers and a proven facilitator of significant new business transactions.

Sector Coverage

In an effort to maximize the effectiveness of USAID assistance within its available staff and financial resources, the Trade Hub, with USAID, chose to focus on two

Southern Africa export sectors where Africa can compete, and further market penetration and export expansion were possible.

Apparel

The global apparel market is valued at $63 billion annually. For years, Africa has been ignored as a possible sourcing location in favor of production in Asia and Latin America. The passage of AGOA in 2000 provided eligible countries in Africa with duty and quota free status that resulted in tariff savings as high as 32 percent. These tariff preferences, along with production capabilities comparable with those found in Asia make Africa a plausible alternative sourcing location for brands and retailers in the United States. Many potential buyers are not aware of AGOA advantages or the full range products African companies can manufacture.

While Africa currently only represents less than 2 percent of the global apparel export market, even a small increase in its global share would have a large impact on economic growth and job creation. This situation presents an opportunity for the Trade Hub to facilitate the expansion of the industry through efforts that raise the profile of the region an apparel production location through trade shows and the provision of sourcing information to buyers.

The Trade Hub also recognizes the potential of encouraging regional supply chain integration in the apparel industry as a means to:

1) Leverage the South African market as a source of business for companies not yet ready for the U.S. market; and

2) Reduce dependence on Asian fabric and shorten lead times in an effort to make the region, as a whole, a more competitive alternative sourcing location.

The Trade Hub dedicates a significant amount of time and resources to fostering regional linkages between retailers and manufactures of finished garments, trims and textiles.

Specialty Food

The U.S. specialty food market is valued at US$36 billion per year and is increasing rapidly. While international products play a growing role in this market, Africa's products are yet to achieve the recognition and appeal enjoyed by products from emerging markets such as Thailand, Poland, Latin America or the Caribbean, let alone developed origins of fine food such as Italy or France.

Today's "foodies" wish to continue diversifying their palate with new tastes and textures, providing food importers, distributors and retailers an incentive to expand their network of international suppliers. Africa is one of the few emerging

food markets yet to be mainstreamed in the U.S. market, providing an enormous opportunity for Southern African companies to penetrate the market now.

The characteristics of the specialty food market makes it a good fit for Africa. Primarily, the niche aspect of the market provides a premium that can absorb some of the higher production and transportation costs inherent in most African countries. Since most processed products have a shelf life exceeding six months, longer transport times are not a critical issue. The specialty food market also presents an opportunity to support upstream growth, as fancy food companies expanding into the U.S. market require more raw inputs, thus providing opportunities for farmers throughout the region.

For Africa to take advantage of this opportunity, buyers must become aware of the range and quality of products available, while African specialty food producers must make the investments necessary for U.S. regulatory compliance and achieve cost-effective access to the many channels through which products are sold and distributed. In most cases, this cannot be achieved without a critical market facilitation point, providing the Trade Hub an opportunity to play a catalytic role in emergence of the African specialty food industry.

In addition to processed foods and apparel, the Southern Africa Trade Hub has limited resources to send export-ready firms to international trade shows and business events outside of these sectors. Examples include Peter Mabeo Furniture, from Botswana and seafood companies from Mauritius.

Summary of Progress to Date

It generally takes time to cultivate market networks and earn credibility with market players, which is necessary to facilitate trade deals. By providing Africa with consistent and positive market exposure since the project's inception, the Trade Hub has helped create new business.

The Africa Pavilion at the 2008 MAGIC apparel show in Las Vegas Nevada created awareness for U.S. apparel buyers about the exciting potential to source from Africa.

Southern Africa's continued participation in international trade events - such as the Fancy Food Show and the MAGIC and Material World apparel shows - has helped place Southern Africa "on the map" for global buyers, raising its profile and credibility as a viable sourcing location. The Trade Hub's regional apparel Business-to-Business events are not only facilitating market

linkages between regional buyers and sellers, but also strengthening regional integration. These events serve as a model to promote regional trade in other sectors and are achieving new export deals.

Increasing interaction between producers from Southern Africa and buyers abroad has successfully stimulated export growth in both the processed food and apparel sectors. In addition, the potential for regional trade in the apparel sector is significant.

The following table presents top line results from the Southern Africa Trade Hub's support to export firms through 2007. Actual transactions in 2007 and deals in the pipeline for 2008 are based on company and buyer reporting of signed or pending deals. Pipeline deals are defined as upcoming transactions expected by companies based upon order cycles and requirements from buyers.

The Trade Hub has generated more than $47 million in new and pending export deals, with two full-time staff based in Gaborone and technical assistance from industry experts based in South Africa and the United States.

Table 1. Trade Hub Key Results through February 2008

EXPORT DEALS	Facilitated more than *$47 million in new trade deals* (current and projected deals in the pipeline) between Southern African countries and the United States.
	Supported more than 40 companies to attend trade shows and trade events in the United States resulting in more than US*$42 million in new exports (includes pipeline deals)*.
	Sponsored May 2007 Business-to-Business apparel event, with estimated pending and closed deals amounting to US*$8 million in new trade through 2009*.
	U.S. specialty food buyers, including Whole Foods and the Food Emporium, finalizing deals with 8 Southern African specialty food producers.
	Facilitated new exports from Botswana furniture producer to a major U.S. buyer which will be launched in April 2008.
MARKET LINKAGES	Facilitated 2 investor and buyers trips to Southern Africa, resulting in new trade deals with 3 new companies.
	Cultivated 372 new business relationships with food companies in the United States and South Africa, including Sun Rich International, Bear Creek Fine Foods, Whole Foods, Dole, CERES, Shoprite, Totally Nuts, McNabs, Yukon, York Farms, NASFAM and McIlhenny.
TECHNICAL ASSISTANCE	Assisted more than 100 companies with requests for assistance on export logistics.
	Facilitated and responded to more than 1,000 requests for information on AGOA.
	Trained more than 500 firms and stakeholders on exporting to or product entry into the United States.
	Assisted more than 50 U.S. government stakeholders with trade and AGOA-related requests.
	Supported the formation of the Botswana Cattle Producers Association, which has become an important advocate for policy change.
	Provided analysis and recommendations on the implications of the expiration of quotas and the third country fabric provision under AGOA for apparel firms in the region.

FIGURE 1. EXPORT DEALS FACILITATED THROUGH 2007[1]

Sector	Transactions through 2007	2008 - 2009 Pipeline	TOTAL
Apparel	$15,000,000	$26,000,000	$41,000,000
Processed Foods	$850,000	$5,000,000	$5,850,000
Other	$18,000	$250,000	$268,000
Project Total	**$15,868,000**	**$31,250,000**	**$47,118,000**

The transactions and pipeline deals facilitated by the Southern Africa Trade Hub are reflective of a gradual integration of African suppliers into global supply chains, dating from the start of the Trade Competitiveness Project. Direct market linkages, which emerge from the business networking events and trade show exhibitions supported by the Trade Hub, are fueling the momentum of this integration.

The global market provides a clear opening for a significant expansion of African exports within targeted sectors. Whether it is a buyer's desire to diversify their global sourcing strategies, which is prevalent in the apparel industry, or a growing demand for new and innovative products, which is prevalent in the specialty food industry, international buyers are looking to Africa to source quality products for the global marketplace.

While tariff preferences granted to most African countries under AGOA may drive a large part of buyers' interest in Africa's industries, other success factors are increasingly attracting attention from buyers. In particular, buyers are recognizing that a growing number of African companies have the capacity to respond to the global market's demand and standards. African producers can assist buyers to respond to consumer preferences for ethically sourced products. Trade Hub market linkage[2] activities are designed to capitalize on the global demand for African goods to achieve higher levels of exports, private sector competitiveness and economic growth in Southern Africa.

Meeting global demand requires African firms to adopt business models that yield competitive pricing and product standards. Through market linkages, Southern African firms are increasing production to meet new orders and responding to market demands for increased efficiency, productivity and product

[1] The Southern Africa Trade Hub determines export deals facilitated through direct reporting by firms benefiting from Trade Hub assistance, including: trade show sponsorship, business-to-business matchmaking, direct facilitation of linkages with buyers, and market access support. Assisted firms make the determination as to whether to report a deal to the Trade Hub and whether to attribute that deal to Trade Hub assistance

[2] A market linkage is defined as connecting African producers of good or services with regional or international buyers through trade shows, business to business events, or direct buyer engagements. These connections may or may not result in a trade deal, but involve an interaction between a buyer, seller or market intermediary (e.g. importer, wholesaler, distributor).

innovation. These firms are learning buyer requirements, assessing competitor practices and evaluating their own potential through first-hand market interaction. Southern African firms are also building the financial strength and gaining access to networks of buyers and brokers that will allow them to grow and strengthen their businesses in the future.

While the Trade Hub may provide technical advice to firms on improving management practices and investing in productive technologies, much of the initiative for these changes come from the firms own response to what they have learned through interaction with global markets. While the Southern Africa Trade Hub's assistance to export-ready firms has yielded tangible and immediate results in the form of new exports from the region, the impact of this assistance goes beyond the raw export data to include a broader impact on economic growth in Southern Africa.

An employee at Shining Century in Lesotho holds her first job outside of the informal sector, supported by AGOA apparel exports. She uses part of her salary to build her skills, studying to be an accountant.

III. Market Linkage Methodology

The market linkage strategy employed by the Southern Africa Trade Hub is designed to respond to international market demands. While the Trade Hub has done some of the work in identifying sectors that are the most likely to succeed in international markets and improve livelihoods in Southern Africa, market forces drive the work of the Hub.

Market linkages activities sponsored by the Trade Hub include:

1. Trade Shows
2. Business-to-Business (B2B) Events
3. Direct Buyer Engagement

These three areas of activity are the focal points for all trade capacity building and private sector productivity technical assistance efforts.

Firms assisted by the Southern Africa Trade Hub can be described as either *export ready* or *domestic competitive*. Export ready firms understand international markets and have the capacity and funds to export. Domestic competitive firms have a sustained presence in their home markets and manufacture products that could be competitive in the global marketplace. Domestic competitive firms are not yet ready to export, but may have plans to do so in the near future. They receive technical assistance from the Trade Hub to build capacity and graduate to export competitiveness.

Export ready firms *self-select* and are supported by the Trade Hub on the basis of their capacity to cost-share participation in business networking events, and their own assessments of product viability in export markets. Buyer participation in business networking events is based on *expressed demand* for products that are *produced* by firms in the Hub's export-ready network of companies.

The critical role that the Trade Hub plays in catalyzing transactions between these market players is:

- Ensuring that both buyers and producers have complete and accurate market information;
- Reducing transaction costs through subsidized participation in networking events and marketing support; and
- Pre-selecting or designing networking events that will produce the most effective interactions between buyers and producers in common markets or market segments.

The Trade Hub's activities create space for transactions to occur that would not otherwise have taken place. Most importantly, the market interactions and deal-making processes are led almost exclusively by producers and buyers. Southern

African firms take ownership of assessing product viability, planning follow-up interactions, and arranging transaction logistics based on market potential.

The Trade Hub's facilitation role is critical, but limited, which means that most linkages with export ready firms will be self-sustaining after the point of initial interaction. No further subsidies are provided, and only limited technical assistance is required in select cases, while the transactions themselves produce the incentive and financial capacity to pursue future market linkages. Hub interventions are highly sustainable, with market players taking an increasingly active role in investing in their business potential.

1. Trade Shows

Trade Shows provide an ideal environment to not only make business contacts critical to making deals, but also to gain a better understanding of market conditions and demands and the respective steps required to enhance market-readiness and competitiveness.

Many firms in Southern Africa are hesitant to attend international trade shows due to the costs and risks of participation.

In addition, Southern Africa has for historical reasons traded more with Europe, and the costs of trade with the United States are high due to transportation and shipping costs. As a result, Southern African firms are not frequently featured in U.S. tradeshows, which limits their potential growth and competitiveness.

A Mauritian firm exhibits innovative tuna products at the 2007 Fancy Food Show, resulting in new export orders from U.S. buyers.

The Trade Hub has utilized a significant amount of resources enabling market ready companies from Southern Africa to participate in premier industry events in the United States. Examples include Fancy Food Shows in Chicago and New York, Material World (apparel), MAGIC apparel, and International Contemporary Furniture Fair (ICFF). These shows have been a very effective way of generating new business, even if it takes as long as 6 months for initial discussions to become actual orders. The shows have also been an important mechanism to engage buyers that may be interested in sourcing from Africa.

Assisting Firms to Engage in Trade Shows

Through workshops and direct engagement with firm managers, as well as market research, the Trade Hub helps to address perceptions of cost and risk. The Hub fills the critical information gap for many firms of what to expect from their engagement with the international market. This includes direct consulting on:

- How to select the appropriate trade show;
- How to prepare for an exhibition;

- How to meet the requirements of the target market (e.g. FDA labeling for the processed foods market, AGOA compliance for apparel duty preferences, and others);
- How to address logistics and regulatory hurdles; and
- How to take advantage of market trends.

All of these information points are critical for determining whether engaging with international markets is appropriate. By clarifying the process of participating in trade shows, the Trade Hub enables firms to make more accurate and informed decisions on whether it is in their interest to pursue an exhibition. By researching which trade shows will yield the most productive business linkages, the Trade Hub also diminishes the perceived risks and costs for Southern African firms.

Selection of Companies

Through workshops and direct engagement with producers, the Trade Hub also gains information about firm capacity that feeds into the selection of firms most appropriate for sponsorship to attend specific trade shows. By supporting firms that demonstrate the capacity to meet international market requirements (e.g. competitive pricing, sound logistics management, compliance with applicable regulations, marketing savvy, etc.), the Trade Hub is able to achieve a critical mass of qualified exhibitors at each show. This not only enhances the potential success of each show, but also ensures that buyers only see the best of what Southern Africa has too offer, thus reinforcing the Trade Hub's efforts to raise Africa's profile as a credible sourcing location.

In the apparel sector, the Trade Hub invites Southern African Sourcing agencies to trade shows. Sourcing agencies provide a cost-effective way to provide exposure and market linkages to multiple manufacturers across multiple African countries. Sourcing agencies can also play a market facilitation role that is critical for attracting new buyers into Africa, acting as intermediaries that assist buyers navigate the challenges of identifying new markets, working within a new operating environment and troubleshooting issues in the sourcing process. Sourcing agencies can represent an entire spectrum of production capacity throughout the region, allowing buyers to source a range of products from different suppliers with vary capacities and specialties.

Sharing Risks

When firms are armed with new market information and a sense of possibility regarding the appeal of their products in international markets, many export-ready firms are not in a position to assume the full financial risk of trade show participation. The costs of securing booth space; traveling to the United States or Europe; preparing product samples that are market-ready and putting together an effective display can be considerable relative to the annual turnover of Southern African firms. Through assistance with the organization and cost-

sharing of exhibitions for Southern African firms, the Trade Hub shares these risks, encouraging broader participation.

CASE STUDY 1: NASFT Fancy Food Show – Introducing African Specialty Foods to the United States

The Fancy Food Shows, recognized as the premier trade event for the specialty food industry and organized by the National Association for the Specialty Food Trade (NASFT), provides buyers with a cost-effective means to become introduced to Africa's specialty food industry and see for themselves the quality and creativity provided by the region's food manufacturers. The Southern African Trade Hub has collaborated with USAID's Africa Fast Track Trade (AFTT) Project and the USAID Trade Hubs in West and East Africa, to help more than twelve dynamic Southern African specialty food manufacturers obtain the market exposure needed to engage the U.S. specialty food industry. Nearly all of the companies that participated in Fancy Food Shows in Chicago (2006) and New York (2007) report leaving with multiple business contacts resulting in viable business leads which often result in new orders.

Examples of Southern African companies experiencing direct benefits from Fancy Food Participation include:

Original Rooibos Jam – South Africa
Original Rooibos had never before exported its products to the United States. After the company's experience at the New York Fancy Food Show, where they generated anticipated orders of up to $250,000, they are planning to invest $350,000 in new equipment and facilities.

Cie Agricole de Labourdonnais - Mauritius
A jams and candies producer, Cie Agricole de Labourdonnais saw $400,000 in confirmed and pending sales as a result of its participation in the New York Fancy Food Show. As a result of the enthusiastic reception of their products, they have invested $50,000 in new production equipment.

Tropical Cubes Co. - Mauritius
A Mauritian sugar cubes manufacturer, Tropical Cubes generated $420,000 in confirmed and pending sales at the New York Fancy Food Show. Tropical Cubes has since invested in $150,000 in new equipment to support the growth of its business

Eswatini Swazi Kitchen - Swaziland
Before Hub intervention supporting Eswatini to the Fancy Food Shows, this company had $10,000 in sales to the United States. After participating in two Fancy Food Shows, Eswatini expects $150,000 in sales in 2008.

Trade Hub support for trade shows involves a collection of African exhibitors from across the continent in a common “African Pavilion” of booths, coordinated with the West Africa Trade Hub and the East and Central Africa Trade Hub whenever possible. This allows for a combined marketing effort that reduces the costs for each individual exhibitor. Marketing materials and promotions for “Africa brand” products are developed to draw buyers into the pavilion as a whole. This increases the potential return on investment for exhibitors who would otherwise be on their own in trying to stand out among what are often thousands of other exhibitors. For the new entrants, or exporters exhibiting for the first time, the Trade Hub also subsidizes a portion of the exhibition and travel costs.

The combined effect of improved market information and reduced risk increases the volume of Southern African participants in international trade shows. This has a further impact of gaining recognition for African suppliers within export markets. The repeated presence of an Africa pavilion and capable African producers at the same trade show lends credibility to those industries and firms. In the best case scenario, it entices international buyers and investors to establish long-term relationships with those industries, diversifying their sourcing and investment strategies to include Southern Africa.

The Africa Pavilion, including companies from East, West and Southern Africa won Best in Show at the February 2008 MAGIC apparel show in Las Vegas, contributing significantly to profiling Africa as a destination of choice for U.S. apparel buyers.

2. Business-to-Business Events

Trade show participation is only one method the Trade Hub utilizes to build sustainable linkages between Southern African industries and international markets. To complement trade show participation, the Southern Africa Trade Hub also sponsors more targeted and intensive Business-to-Business (B2B) networking events.

Summary 2007 Business to Business Event	
Participant Profile	
Total Participants	50 firms (60 delegates)
Southern Africa	37
West Africa	5
East Africa	6
United States	2
Textiles	13
Apparel	24
Trims	4
Retailers/ Sourcing Houses	9
Reported Deal Pipeline	
Within 6 months	US$1.9 – 2.0 million
Within 2 years	US$6.0 - 6.1 million
Total	**US$7.9 – 8.0 million** *65% regional / 35% US*

Business-to Business networking events involve pre-arranged matchmaking between qualified buyers and producers. Event preparation starts with a marketing push to prospective buyers and producers that the Trade Hub estimates would benefit from participation. Firms that express interest are then screened to ensure that B2B meetings are effective for all involved. Networking events take place in Southern Africa, which screens out international buyers that are only casually interested, and the Trade Hub only invites buyers that can be matched effectively with corresponding producers. Producers are also screened based on their capacity to fill prospective orders from attending buyers. Meetings are then scheduled based on pre-arranged matches and detailed company profiles are shared with meeting participants in advance.

Southern African apparel producers and U.S. buyers discussing orders at the 2007 Business-to-Business event in Johannesburg, South Africa.

The B2B events offer a more intensive high-value experience for buyers and producers. In a very short period of time, buyers have the opportunity to learn what the African market has to offer and they know ahead of time that they will meet producers who can fulfill their general order specifications. Producers have a captive audience of buyers that are interested in their products, provided that they can meet price and specifications to the buyer's satisfaction. This results in highly productive and tailored

meetings during the event. The marketing and pre-event match-making costs are shouldered by the Trade Hub, reducing transaction costs for both buyers and sellers.

CASE STUDY 2: Gaining Momentum Through Complimentary Activities in Apparel Sector

Attributing the generation of new business to any one activity is difficult, given that Trade Hub activities are designed as part of a comprehensive strategy where activities are intended to reinforce each other, often having a multiplier effect.

For example, sourcing agency Dinhatex attended the Trade Hub's May 2007 B2B event, and expanded its network of manufacturers in the region. Dinhatex then attended the August 2007 MAGIC show and received multiple requests for sourcing products. Some of the new business went to companies introduced through the B2B event. Dinhatex has also used the Trade Hub's sourcing information resources to identify a growing number of capable manufacturers in the region, often resulting in significant business for regional manufacturers.

Dinhatex recently attended the MAGIC February 2008 show. Given its wider network of companies and contacts made at the last show, it was in a better position to respond to a wider range of sourcing requests faster, thus making it a more useful business partner for potential buyers, increasing the likelihood of walking away with deals. **Dinhatex estimates that potential business linked to Trade Hub activities is greater than $20 million.**

The B2B also offers international and regional buyers an opportunity to interact with firms further down the value chain. In the example of the apparel sector B2B sponsored by the Trade Hub, suppliers of fabrics and other intermediate goods are invited to network with regional apparel producers, as well as interested international buyers and investors. This offers regional and U.S. apparel firms the opportunity to strengthen their regional supply chains and develop fully integrated operations in Southern Africa.

With Southern African firms facing long lead times to source textiles and other intermediate goods from abroad, integrating their supply chains regionally is an important factor in increasing competitiveness.

The B2B is helping to develop regional markets along the value chain in order to promote higher levels of intra-regional trade in apparel.

3. Direct Buyer Engagement

In addition to providing consulting services to Southern African firms trying to break into international markets, the Southern Africa Trade Hub also plays an important role in consulting for international buyers and investors contemplating entry into the Southern African market. The Trade Hub refers to this activity as direct buyer engagement.

As a regional program working directly with industry leaders in all of the countries within Southern Africa, the Trade Hub has a unique perspective to offer international buyers and investors. Hub experts know the strengths and weaknesses of firms and industries across Southern Africa, as well as the regulatory regimes that apply to those industries, and can help prospective buyers and investors to understand the constraints and opportunities to pursuing new deals in this part of the world.

Most direct buyer engagement activities supported by the Trade Hub result from either buyers contacting the Hub or through follow-up from trade shows or other networking events.

The Trade Hub fields requests for information associated with:

- Potential suppliers within Southern Africa;
- Investment opportunities in the region;
- Regulatory constraints or incentives to importing from Southern Africa; and
- Logistics challenges facing exporters and regional supply chains.

These requests are followed up with detailed information on market conditions and linkages with Trade Hub clients in Southern Africa that have shared business goals.

Serious buyers and investors utilize the Trade Hub's knowledge of regional trade capacity and the regulatory environment as a starting point for considering entry into the Southern African market. Trade Hub support to buyers and investors in this process is valuable for two reasons:

- Reduced time and effort associated with evaluating the market and selecting regional business partners; and
- Increased level of trust and confidence in prospective partners and resulting new deals.

Direct buyer engagement does not involve a substantial marketing push on behalf of Southern African firms. Most of the Trade Hub's marketing push is focused on trade show and B2B events. Direct engagement with buyers and

investors is focused more on bridging the information gap that exists for firms that have already expressed an interest in sourcing from or investing in Africa, and helping to ground that interest in the real advantages and disadvantages to conducting business in Africa.

Too often, deals do not come to fruition simply because buyers and investors have too little information, do not trust the information that they do have, or face insurmountable costs in obtaining reliable information. The Trade Hub helps to make these deals possible through its direct buyer engagement activities.

Case Study 3: Information Resource: High Returns in Intra-regional Apparel Deals

The Trade Hub's efforts to be a regional information resource for apparel sourcing has shown high returns generating significant levels new export relationships within Africa. A growing number of buyers for the North American market are approaching the Trade Hub for sourcing guidance. Regional buyers increasingly look to the Trade Hub to identify garment manufacturers in Africa, often diverting trade that would have otherwise involved Asian imports. Manufacturers use the Trade Hub to find appropriate textile/fabric and trim manufacturers.

Since 2006, the Trade Hub's sourcing information work has helped generate a pipeline of $12.8 million in exports deals expected to be transacted between 2007 and 2008, not including the $5.3 million regional pipeline generated through the 2007 B2B event. Most of the deals involve South African retailers and regional garment manufacturers.

Examples include*:

- Introduced a fabric manufacturer from the SADC region to a number of South African garment manufacturers. The resulting deals include $150,000 a month ($1.65 million annually) for the textile mill, and a regional alternative to Asian fabric for the South African companies.
- Linked a Mauritian textile mill and manufacturers in Botswana and Lesotho, resulting in approximately $150,000 per month in new business for the mill.
- Facilitated a deal where a South African brand/retailer/manufacturer outsourced $750,000 in ladies wear to a manufacturer in the SADC region.
- Helped a South African garment manufacturer identify a regional manufacturer to outsource the production of trousers for the South African market. Initial orders estimated at $10,000 – 15,000 per month and expected to double in 2008.
- In collaboration with West Africa Trade Hub, linked South African fabric mill with West African garment manufacturers, resulting in $10,000 per month in new business.
- Facilitated business linkages between a South African retailer and a Mauritian manufacturer of fabrics and garments. While negotiations are pending, successful outcome would involve multi-million dollar business deal.
- Helped a South African sourcing house identify companies from Mozambique, Malawi, Zambia or Tanzania able to produce 80,000 - 100,000 units per month and take advantage of special duty free access to the South African market. Negotiations are pending.

Multiple leads targeting the U.S. market, facilitated by the Trade Hub's sourcing information are currently in negotiation. Most involve South Africa and U.S. based sourcing house looking for the most appropriate and capable manufacturers. Pending deals include: An 800,000 unit order for a major restaurant chain; a multi-million dollar order for the production of multiple styles of jackets and other apparel; and an order for medical scrubs that could reach 40 – 50,000 units per month.

**Details of transacting parties left out for business confidentially.*

Case Study 4: Talier Group's "Africa Set" Generating Sales, and Customer Interest in Africa's Specialty Food Sector

Beginning mid-February 2008, millions of American consumers in over 2,000 stores will be able to select from a wide range of specialty food products made in Southern Africa, and elsewhere on the continent. This is thanks to an "African Set" launched by the New Jersey-based Talier Trading Group, an international specialty food marketing company. Over 105 products from 21 companies from all over Africa were screened by the Talier Group and marketed as a package to major U.S. distributors and grocery stores.

The African Set provides retail buyers with a user-friendly way to respond to consumer's interest in African food products. The launch of the set in 2008 promises to be a cost-effective way to mainstream Africa's specialty food industry in the U.S. market and increase its penetration. By the end of 2008, it is expected that the African Set will be sold in over 10,000 stores, reaping an estimated $6 - $8 million in new export revenues for African food companies. Currently Southern African companies represent approximately 60 percent of the products (and thus expected revenues) including brands like Ceres, Nando's, Elephant Pepper, So!Go!, Rooibos Jam, Mrs. Balls, So South African, and Verlaque Fine Foods. The list is expected to grow as the set gains momentum.

The Southern African Trade Hub has worked extensively with the Talier Group in a symbiotic relationship that ultimately results in Southern African companies penetrating the U.S. market. In some cases, the Trade Hub introduces Talier to products and companies it considers export-ready and appropriate with the Africa Set (at times in collaboration with the other Trade Hubs in East and West Africa). In other cases, the Talier Group provides the Trade Hub guidance and opinions on the marketability of a given product in the U.S. market and its pricing, packaging and labeling. This relationship has enabled the Trade Hub to provide quick responses to companies' requests for information that reflect current market conditions.

The Talier Group's interaction with Southern African companies is more than a mere business relationship. When engaging a potential candidate for its Africa set, it spends a good amount of time providing advice on USDA-compliant labeling, meeting supermarket/distributors' packaging needs, ways to enhance marketability (e.g. improving labeling design, producing kosher/halaal products, etc), and pricing. The guidance, provided by the Talier Group represents a significant value to firms in Southern Africa.

Leveraging Regional Presence

The regional footprint of the Trade Hub has greatly contributed to the level of success achieved in linking Southern African firms to global markets. Much of this has to do with scale: aggregation of export ready and domestic competitive firms in multiple small markets allows a regional project to achieve a critical mass of suppliers for business networking events.

The Trade Hub's regional presence allows coordination with other U.S. Government projects in Southern Africa. The Trade Hub works with bilateral capacity-building initiatives aimed at improving firm or sector-level competitiveness.[3] The Trade Hub adds value to these initiatives by serving as the critical bridge between emerging industries in Southern Africa and the global marketplace, accelerating the process of market integration.

In the discussion of the Trade Hub's trade show methodology, the importance of achieving a critical mass of exhibitors was identified as a key success factor. A regional presence allows Southern Africa to put its best foot forward as it wades into the highly competitive marketplace for exportable goods. Conveying a sense of competence, Southern African exhibitors are demonstrating to global buyers what the region can achieve and encouraging them to look more closely at sourcing opportunities.

This approach does not benefit only the top performers. There are two additional advantages of the Trade Hub's regional presence:

- The capacity to continually match buyers with regional producers; and
- The ability to strengthen regional supply chains.

The interest generated in Southern Africa at trade shows draws international buyers into a closer relationship with region. This increased demand makes several initiatives on the supply side possible, and the Trade Hub then leverages its regional presence to translate buyer interest into new deals at multiple levels.

The Trade Hub is uniquely positioned to provide more targeted networking opportunities to buyers who are willing to travel to the region. Taking the guesswork out of this process, the Trade Hub identifies the most qualified regional firms for the B2B events and direct buyer engagements discussed earlier.

In cases where one manufacturer cannot meet the full demand of a particular buyer, the Trade Hub can support aggregation of regional manufacturing capacity to ensure that the deal stays in Africa. Without a regional project that buyers can approach to identify viable opportunities and facilitate deals, the transaction costs and risks borne by both the buyer and the seller in these scenarios are substantially higher.

[3] The Trade Hub collaborates closely with the MATEP project in Zambia; SAIBL in South Africa; SWEEP in Swaziland; and bilateral USAID Missions on market linkages initiatives.

Leveraging Inter-Trade Hub Collaboration to Raise Southern Africa's Profile

In both the apparel and specialty food sectors, it is difficult for an individual company, country, or even region to "get noticed "at trade shows with hundreds, if not thousands of exhibitors. Without some way to raise the profile of its companies attending shows, participants are lost in the masses.

The Southern Africa Trade Hub has helped overcome this challenge through collaboration with the other Trade Hubs in Eastern/Central and Western Africa and other USAID projects such as the USAID Africa Fast Track Trade (AFTT) project. Collaboration focused on establishing African Pavilions at major Trade Shows, where as many as 30 African companies might exhibit together. The African Pavilion concept is then leveraged to develop marketing material and promotional events covering the entire continent.

This collaboration allows buyers to see what Africa as a whole has to offer. For individual companies, being part of a larger unit avails greater credibility, particularly as projects like the Trade Hub gain a reputation for representing capable market-ready companies, thus increasing the likelihood that a potential buyer may take them seriously.

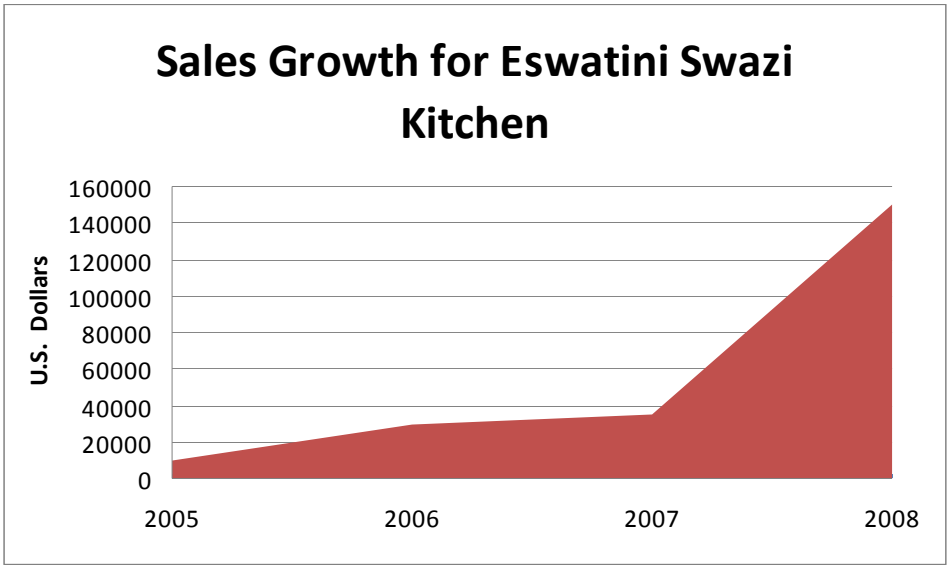
With the end of the AFTT project, the Trade Hubs are trying to take on some of the coordinating roles carrying out by AFTT in the past. The three Trade Hubs recently collaborated on a very successful Africa Pavilion at the February 2008 Magic show in Las Vegas, and are working together in an Apparel Business to Business Event in Johannesburg, South Africa. The Hubs are also collaborating on the 2008 Fancy Food Show in New York. In many respects, the Southern Africa Trade Hub is playing a leading role, ensuring that the staff time and financial resources are available to ensure success.

In cases where trade shows and networking events reveal supply constraints for export ready firms in filling new orders, the Trade Hub is also able to localize any resulting expansion in supply or outsourcing orders. The Trade Hub encourages and facilitates regional supply chain linkages, ensuring that intermediate goods, such as textiles for apparel or packaging for food products, are sourced in Southern Africa. Through B2B events and referrals, the Trade Hub links growing exporters with firms that have excess capacity to supply regional business partners.

In the sectors where the Trade Hub focuses its operations, it serves as the most reliable and up-to-date source of manufacturing capacity in the region. Over-capacity in one country can quickly be matched with under-capacity in another. With the small scale of domestic markets in Southern Africa, such efficiencies can only be exploited at the regional level. This also allows countries whose industries have not quite achieved export competitiveness to reap the benefits of expanding export industries in neighboring countries.

IV. Transformative Effects of a Market Linkage Approach

Through reorientation of their businesses toward export markets, firms supported by the Trade Hub are redesigning their businesses to be competitive in the global marketplace. These transformations are the product of market linkages and interactions that allow firm managers to experience the potentials and challenges offered by the global marketplace.



Trade Hub interventions have significantly increased sales of Eswatini Swazi Kitchen products from Swaziland.

In the processed food sector, ninety percent of firms supported had no previous experience in exporting to the United States prior to participating in Trade Hub-sponsored market linkage support. Most, if not all, of those firms will be exporting their products in the coming year. Due to the order sizes required by international buyers, these companies must consider investments, upgrades and increased staffing to keep up with demand.

Peter Mabeo Furniture's booth attracted rave reviews at the International Contemporary Furniture Fair 2007 in New York City.

In the furniture sector, Peter Mabeo Furniture, based in Botswana, has reoriented its entire line of high-end furniture for export to the United States, with the advice of experts from the Trade Hub. Similar reorientations are occurring at the

initiative of other company owners through a process of market interaction and self-assessment. These changes within firms are part of the reorientation of Southern African industry leaders toward export-led growth that the African Global Competitiveness Initiative (AGCI) aims to effect.

Depending on each firm's stage of development and the nature of buyer demand, transformations will vary, but nearly all of the firms that are attending Trade Hub-sponsored business networking events are responding to newly gained market information. In the short term, some of the transformative effects that are occurring include:

- Company restructuring to control costs;
- Investment in productivity-enhancing technologies;
- New product development;
- Improved supply-chain management; and
- Corporate strategy development.

Particularly in the areas of new product development and capital investments, the deals arising from business networking events are serving as a catalyst to these transformations. Deals come with expectations that have to be met, but they also open new doors to financing and enhanced financial stability, especially when they involve repeat orders. The dual impact of demand for a quality, timely product and the leverage to finance improvements is what makes deals the core driver of competitiveness.

Furthermore, buyers will frequently seek to diminish the risk of a deal falling through by providing embedded services. Transaction-based services tied to product quality, such as free consultations on labeling or product specifications are frequently built into deals by buyers. The cost to the buyer of providing technical assistance is often low, but the value to the manufacturer in improved competitiveness can be great.

In the medium to long-term, it is reasonable to expect more sophisticated transformations in Southern Africa that mimic industry transformations in the developed world. If the volume of export deals continues to grow and regional business networks continue to become more robust, vertical integration of supply chains, mergers and acquisitions, and greater leveraging of assets (through public share offerings, private equity deals, etc.) are all likely developments. This will further facilitate more aggressive capital improvements, technology investments and regional integration.

Some examples of these trends are emerging from the Trade Hub's sponsorship of an Africa Pavilion at the Chicago (2006) and New York (2007) Fancy Food Shows. Firms attending those shows have reported planned and realized investments in new equipment and facilities of over $600,000. They are also pouring their energies into less readily quantifiable, but equally critical

improvements. At least one firm is exploring the introduction of a new line of organic products and others are investing in new product development. The full importance and success of these initiatives will only be quantifiable several years down the road, but they represent exactly the kind of behavioral shift that is needed for Southern African industries to achieve greater levels of competitiveness. These shifts would not have occurred without the market interaction that the Trade Hub has facilitated.

As firms sign deals with international buyers and invest in their businesses, they also serve as a model, stimulating a broader reorientation of Southern African industries toward international markets. Competitors at the domestic level are faced with the challenge of matching efficiency and productivity gains of firms that are growing through export deals. They must either reinforce their positions in domestic markets to maintain their competitive edge, or follow the leaders toward exports with the international market. While it is too early to quantify the modeling effects of new export deals, it is expected that new entrants from Southern Africa to global export markets will result in further growth in the scale and competitiveness of these industries.

The growth of these industries through export deals has an immediate impact at the sector level, but also has the capacity to catalyze growth and competitiveness on a larger scale, contributing in a substantial way to economic growth in Southern Africa. The firms supported by the Trade Hub form part (usually the top) of value chains that consist of raw materials suppliers, transport and logistics providers, printers, packagers, and other providers of intermediate goods and services. Export deals brokered by export firms increase demand for these intermediate goods and services, directly impacting growth in those sectors in Southern Africa.

Through the regional business-to-business networking and referral programs, these second-tier effects will achieve greater significance. If export growth continues, demand for intermediate goods must rise concurrently. Activities promoting regional integration allow Southern African suppliers of intermediate goods and services to keep pace with manufacturers of finished goods.

While it is difficult to quantify, the benefits of these transformative effects are far-reaching. Increased business transactions result in impacts farther down the value chain, including producers and farmers in the example of specialty food products. For example, Eswatini Swazi Kitchen now sources additional inputs from rural women farmers, and will support new jobs and technologies in the honey sector, when they introduce a new honey product in the United States in 2008. In the case of Eswatini, increased exports mean a sustainable transfer of know-how and linkages to small scale producers in Swaziland. Southern Africa is experiencing these far-reaching impacts on the value chain throughout Southern Africa in specialty foods and apparel, due to the interventions of the Trade Hub.

Case Study 5: Peter Mabeo Furniture: Shifting Business to the U.S. Market

Botswana is far from being known as a top-end producer of contemporary furniture design. The dynamic entrepreneurialism of Peter Mabeo of Peter Mabeo Furniture, and support from USAID is changing that perception one deal at a time. Starting from a one-man operation and expanding into a thriving up-market operation with 40 employees and over $600,000 in average turnover, Mabeo has designed and manufactured office furnished a domestic and regional clientele since 1995. While business was satisfactory, the potential market size for his products was limited. Future growth depended on executing an export marketing strategy focused on high-value-low-volume furniture design and production for discriminating markets in the United States.

In 2005, Mabeo linked with a Canadian designer to develop a 10 piece line of hand-crafted contemporary furniture produced in Botswana. Mabeo launched the line at the 2006 International Contemporary Furniture Fair (ICFF), receiving the Editors' Award for Craftsmanship and recognition from Newsweek, the New York Times, Elle Décor and Oprah's "O' Magazine. While the design community universally acclaimed quality of the design and craftsmanship and showed great interest in Mabeo's products, to orders resulted from the 2006 ICFF show. Nevertheless, Mabeo felt he 'was on his way' to the U.S. market.

Mabeo decided to establish his own brand, separate from that of his previous designer. While he could handle the design and quality aspects, he needed help on the export business side. In collaboration with the USAID Africa Fast Track Trade (AFTT) project, the Trade Hub provided Mabeo assistance to establish his brand, launch a website (www.petermabeofurniture.com), develop a pricing format for direct costumers and retail/wholesale buyers, establish an infrastructure to handle payments and credits for clients in the United States, and find a way to receive, warehouse, and transship orders as they came in, reducing the overall shipment time to a respective client.

Ready to do business in the United States, Mabeo returned to the 2007 ICFF show with his own designs. Once again, praise for the design and craftsmanship was universal. This time, Mabeo returned to Botswana with concrete leads and a new challenge: how to select the right buyer(s) compatible with his export strategy of steady organic growth. In November, Mabeo signed a deal with Design Within Reach, high-end designer furniture brand in the United States.

With strong interest from the U.S. market, Mabeo will convert his operations entirely into an export-driven effort, with products standardized to meet the demand of the U.S. market exclusively. He is looking for investors for a new or expanded plant and is reaching out to new and talented designers able to keep his designs ahead of the curve and further develop the credibility and reputation of the emerging contemporary furniture brand hailing from Botswana.

V. Opportunities and Recommendations

While the Southern African Trade Hub has created substantial new trade, there are opportunities for additional activities that would build upon the work of the Hub to create further export-led economic growth in the Southern Africa region.

New Markets. The Hub has created substantial new exports under AGOA to the U.S. market. With additional resources, the Hub could focus on additional new markets where there is significant demand for Southern African firms, including Europe, the Middle East and Asia. New trade agreements, such as the European Partnership Agreements (EPA) have opened up new opportunities for trade with Southern Africa.

New Sectors. The Hub is currently focusing on processed foods and apparel, and with limited funding can focus on few other sectors and companies. However, there are significant opportunities in the natural products, footwear and other sectors in Southern Africa that would significantly benefit from Trade Hub market linkage services to grow exports.

Seminars and Training Programs. The Trade Hub's primary focus is on Export Ready companies, or companies with the capacity to export in terms of funding, market readiness and commitment to investment and upgrades in their business models. Domestic Competitive companies, or companies that need assistance making it the final steps of the way, receive training on product standards, market trends, pricing, and export logistics. With additional support for Domestic Competitive companies, many of these firms could move into a more direct engagement with international markets through trade shows, B2B events, and direct buyer engagement.

Branding Africa. There is significant need for additional resources to market African companies at Trade Shows and business networking events as a group. American buyers are unfamiliar with what Africa has to offer, and grouping multiple high-quality African products is an effective way to Brand Africa. An example of Branding Africa would be further support for Africa Pavilions at trade shows, or specific business or networking events that feature African products. This activity could be facilitated with the East and West Africa Trade Hubs.

U.S.- Based Market Facilitation. The Africa Fast Track Trade (AFTT) project, which was completed in 2007, played a significant role in working with the Trade Hubs in Africa to: identify additional U.S. business opportunities; network with trade associations; follow up on trade leads; trade show management; follow up with investors; contact potential buyers, and facilitate equipment and technology supplier sourcing. There is significant need for resources to support a U.S. – based specialist, or team of specialists to back all of the Trade Hubs for these services.

Productivity Enhancement. As African companies receive export orders, they must make critical decisions about investments, productivity enhancements and additional hires. In addition, they must consider logistics in supply chain management, including sourcing decisions. These critical business model changes assist with improved efficiency and lead-times, both critical factors in export growth. With additional funding, the Trade Hub could assist these firms with critical productivity enhancement decisions through consulting services.